



December 9, 2004

Via Electronic Filing

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W., TW-A325
Washington, D.C. 20554

Re: *Ex Parte* Communication

In the Matter of Developing a Unified Intercarrier Compensation Regime,
CC Docket No. 01-92

Dear Ms. Dortch

The National Telecommunications Cooperative Association has been actively working with its members to identify solutions and explore their concerns with respect to the Commission's intention to establish a Unified Intercarrier Compensation Regime. It appears that the Commission will soon release a Further Notice of Proposed Rulemaking (FNPRM) asking for comments on various plans and principles that have been submitted in this docket. NTCA agrees that a FNPRM is needed to explore alternatives to the existing patchwork of compensation mechanisms.

The FNPRM is an opportunity to focus on the concerns of small rural telephone companies of the type that constitutes NTCA's membership. Early in 2004, NTCA analyzed the impact of a pure bill and keep regime and concluded that it would adversely affect revenues of small companies with less than 100,000 access lines to the tune of \$2.023 billion. NTCA's data analysis also identified huge differences among states and the fact that the intrastate portion of the revenues affected by reform are \$1.139 billion compared to \$884 million Interstate revenues.¹ These facts caution against a "one size fits all" intercarrier compensation solution that could result in unintended consequences for rural telephone companies and the rural consumers they serve.

¹ NTCA Ex Parte Letter to Marlene H. Dortch, January 7, 2004, *In the Matter of Developing a Unified Intercarrier Compensation Regime*, CC Docket No. 01-92, COBAK Impact-Industry Extrapolation, slide 61.

NTCA urges the Commission to consider the data presented in its January 6, 2004 ex parte in this docket and in its paper submitted in this docket on March 6, 2004, "Bill and Keep: Is It Right for Rural America." The data and the paper show that a single solution may not be appropriate for all carriers. They also show that a single solution could have a devastating effect on rural consumers.

NTCA also urges the Commission to consider the following blueprint when it enacts rules. The blueprint reflects NTCA principles developed over the course of numerous discussions with NTCA member representatives. It includes the following elements:

1. Adopt rules that include a different set of regulatory policies for rural telephone companies to ensure that their networks remain viable.

Rural ILEC networks are the default infrastructure in high cost areas. In most instances rural ILECs offer the only telecommunications service that is ubiquitous throughout their service area and universal service would not exist without them.

2. Adopt rules for rural ILECs that include some charge that provides for carriers to compensate each other for the use of one another's network.

Bill and Keep is not an appropriate substitute for a charge that recognizes the value provided and the costs imposed when a carrier utilizes another carrier's facilities.

3. Adopt rules that preserve and sustain universal service.

Reform cannot result in unaffordable end user rates or in a ballooned universal service fund that is unsustainable.

4. Adopt rules that preserve rural ILECs' option to operate under rate-of-return (ROR) regulation.

ROR regulation is a reasonable means to determine financial requirements for rural telephone companies and to ensure their ability to continue to invest in rural areas.

5. Adopt rules that encourage investment in a network infrastructure capable of delivering high quality broadband services in all areas of the nation.

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This blueprint recognizes the importance of adopting rules that ensure the long-term viability of service to rural consumers. It also acknowledges the need to adopt reforms that reduce arbitrage by correcting anomalies and creating a system that compensates carriers at the same time that it encourages investment and innovation.

This letter is being filed electronically for inclusion in the above referenced docket pursuant to Section 1.1206(b) of the Commission's rules.

Sincerely,

/s/ Michael E. Brunner
Michael E. Brunner
Chief Executive Officer

MEB:sr

cc: Chairman Michael Powell
Commissioner Kathleen Abernathy
Commissioner Michael Copps
Commissioner Kevin Martin
Commissioner Jonathan Adelstein
Bryan Tramont
Christopher Libertelli
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